Which of These Six Deliverables Should Premium Consultancies Offer To Their Clients?

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Blog entry

Once upon a time in Japan, a samurai lost his master. Not knowing what to do without a master to serve, he went crazy. Stark barking mad.

And then in his mad state, he set out to find the solution to his problem.

As he was wandering from one village to the next and the next again, he heard about an old Zen master who claimed that knew the answer to any question.

Our hero decided to find this Zen master and seek remedy from him.

After years and years of roaming the land, he found the Zen master’s shack, and impatiently burst inside where the old master was meditating with his eyes closed.

The mad samurai screamed at him and demanded him to tell him the difference between heaven and hell.

The Zen master totally ignored him. He continued his meditation without even bothering to open his eyes.

By now, the mad samurai was as furious as a box of frogs.

He went into a rage, drew his sword and was about to chop off the Zen master’s head, when the Master said in a dead calm tone of voice and his eyes still closed...

A dimwit like you couldn’t understand it anyway, so there is no point in wasting my breath on you.

By then the samurai was so furious that steam was blowing from all his body orifices.

I kill you, you miserable bastard!

He raised his sword and was about to strike, when the Zen master whispered: This is hell.

At that moment, as if struck by lightning, the mad samurai stopped his sword mid-air and realised what the Zen master had just said.

And what an arse he’s made of himself.

At that moment, he understood that heaven and hell existed only inside his head.

He understood that the world was neutral and it was up to him what he made of it in his head.

He lowered his sword and praised the Zen master who was willing to teach him a lesson even by risking his own life.

The Zen master opened his eyes, smiled and said: And this is heaven.

This story explains that real progress can exist only in practice. Only practice can lead to real understanding. Until we apply our skills, all we have is mere data and information inside our heads. They are as far from applicable knowledge and real understanding as grains of sand are from a microprocessor.

Yes, microprocessors are made of sand, well, silicon, but there is an interim process.

Or think of coffee...

As per the Specialty Coffee Association of America (SCAA), it takes 10 grams of ground coffee
to make one cup of brewed coffee.
The coffee bean costs about $10/kg, giving you 100 cups of coffee.
At Starbucks prices, this is about $500.
What makes the difference?
Anyone can pick coffee beans. No big deal. But not everyone can sell coffee for $5 a cup.
Business is the same is the same.
Anyone can make gadgets. But not everyone can sell it to the cream of the crop of the market at top dollars.
Far too many consultants sell their expertise as coffee beans at a fraction of the fees that the value of their services would justify.
We know that value is subjective and the sole arbiter of that value is the client, but consultants too can do a lot to adjust the buyers’ perceptions of value.

And The Financial Slip-Up Comes From...
...offering subject matter-specific, tactical-level manual labour.
HR consulting firms’ leaders say they offer HR-related work. They say...

“We screen resumes, interview job applicants and check references.”
It can’t be any more of a commodity.
What they don’t say is...

“We help mid-sized coffin manufacturers to acquire top talents. Based on past projects, our clients have achieved as much as 21.3% increase in revenue per employee, while reducing annual employee attrition by from 28.3% to 9.2% within the first 18 months.”

This is something meaningful. The second statement shows prospect that this company is positioned as a respected authority, helping its clients to achieve certain strategic goals. Goals that are on top executives’ minds and are tracked in the boardroom.
Software development firms’ leaders say they offer coding as manual labour. They say...

“We write software in Java, Pearl, C++ and Ruby.”
But they could say...

“Using technology, we help mid-sized non-chain restaurants to put more arses on chairs, have them return more often and brag to their friends about their great experiences. Based on past projects, our clients have achieved as much as 17.3% increase in RevPASH\(^1\) and 37.1% increase in online reviews within the first 18 months.”

\(^1\) Revenue Per Available Seat Hour is regarded as the most complete and meaningful metric for restaurants. It incorporates sales measurement, seating efficiency, spend per head, resource allocation and operational efficiency.
This is much better. Also, when talking to a restaurant person, by using the term RevPASH, you demonstrate industry-specific business savvy.

For instance, a high percentage of my clients are high-tech companies. One of the reasons for that is that before starting consulting, I had spent 16 years in the high-tech industry as an electronics/computer engineer, programmer, project manager and technology buyer.

Many people know the high-tech industry outside in. I understand it inside out.

Knowing something is intellectual. Understanding something is both intellectual and intuitional.

Let’s look at the knowledge-understanding continuum...

Data: Factually measured bits and bobs used as a basis for reasoning, discussion or calculation. It’s missing judgment, discernment, interpretation or context. It is meaningless on its own.

Information: Root in Latin is formare, meaning “to shape.” This gives meaning to data. According to Peter Drucker, “data endowed with relevance and purpose.” Information is data exchange between a sender and a received who decide the meaning of that information.

Knowledge: Organised information that can be applied as subject matter expertise. It also includes a heavy dosage of intuition, gut feelings and creative hunches in that subject matter area.

Understanding: Knowledge becomes understanding when your subject matter knowledge blends with your buyers’ industries. This is knowledge in the context of your buyers’ business and industry.

Think of Danish physicist, Niels Bohr.

He adapted Ernest Rutherford’s nuclear structure to Max Planck’s quantum theory and created his Bohr model of the atom, putting nuclear physics on a brand new foundation.

So, let’s see six factors that can raise a consulting firm from the information/knowledge level to the understanding level.

1. Accountability

Here we’re talking about accountability on several levels.

One is accountability between firm leaders and associates.

The other is accountability between the firm and its clients.

It’s all about doing what we say we do and by when.

True accountability, that is driven by commitment, not compliance, requires that consulting firms are in peer-level relationships both with their clients and associates.
Vendor type relationships clients and boss-indentured servant (master-slave) type relationships with associates just don’t cut it.

Accountability can exist if and only if consultants and their clients and firm leaders and associates see each other as peers.

2. Consolidation

Based on your subject matter area, coordinate your clients’ efforts in the same direction. Make sure all the horses that are pulling the cart are pulling in the same direction.

If your area is HR, make sure all aspects of HR in your clients’ companies are properly harmonised, and they work like an intricate contraption of cogwheels.

Like a Rolex watch. And I mean the real Rolex.

Sadly, many companies’ HR departments operate like $10 Chinese junk Rolex watches.

They run for a while, although with atrocious accuracy, and then fall to pieces.

So, the one of the purposes of an engagement is to consolidate the client’s HR processes into one system. A car is a consolidated system of subsystems: wheels, differential, engine, chassis, etc.

The same way, talent attraction, talent induction and integration, compensation, etc. must be parts of a comprehensive HR system.

3. Comprehensiveness

Comprehensiveness is similar to consolidation but is a bit more.

Consolidation is all about integrating what the client has under the aegis of HR.

Comprehensiveness is about checking what’s missing and developing those systems from the point of attracting talents to the points of resigning, retiring or firing of talents, staying with the previous HR example.

4. Coordination

Coordination is all about helping clients to effectively use all the HR systems. That’s mainly skill development, but sometimes a bit more.

In some cases, some people refuse to use certain systems.

For instance, the whole firm operates on an online collaboration system called Central Desktop, but one person refuses to use it because he insists on using MS Outlook.

Since you can’t bend the whole company to this rebel’s will, if he refuses to ditch Outlook, then he can play with it at home while searching for another job.

5. Perspective
When you look at something through periscope, you can observe that something in its environment. That is, in the context within which that something exists.

But when you look at the same something through a microscope, all you see is a detailed image of the whole.

The problem many consulting firms make is that they never take their eyes of the microscope and this is the picture they show to their clients.

For instance, the client, a manufacturing company gets custom-made software made for higher production.

But the software developer firm, looking through the microscope, instead of selling performance improvement and lower COGS, sells code.

“We’re going to write this code in C++ and that code in Java, and the rest in Ruby.”

Is it surprising then that the client is willing to pay only for manual labour at manual labour rates?

Not at all.

After all, the consultant firm’s perspective is even narrower and more limited than the client’s.

6. Simplification

This is where you have to go against human nature. It’s because humans are great at complicating things.

And here I’m not talking about making things complex, but about making things complicated.

What’s the difference?

A Microsoft Windows system is complicated.

It does all sorts of things in a totally problematic, convoluted, torturous, inconsistent and unpredictable fashion. You never know what happens.

Understanding Windows doesn’t make any difference because complicated things are illogical and their appearance is haphazard.

Just think about how often you get the “Not Responding” message while working on any Windows-based programme.

Also, complicated things can’t be learnt and thought due to their inconsistent and random nature.

By contrast, an iPhone is complex. There is complex technology inside it, but it works pretty consistently and predictably. That makes complex systems learnable and teachable.

Legend has it that at a recent COMDEX computer expo, Bill Gates reportedly compared the computer industry to the car industry.

He said, “If GM had kept up with the technology like the computer industry has, we would all be driving $25.00 cars that got 1,000 miles to the gallon.”

In response, General Motors promptly issued a press release stating, “If GM had developed
technology like Microsoft, we would all be driving cars with the following characteristics:

1. For no reason whatsoever, your car would crash twice a day.
2. Every time they painted new lines on the road, you would have to buy a new car.
3. Occasionally your car would die on the freeway for no reason. You would have to pull over to the side of the road, close all of the windows, shut off the car, restart it, and reopen the windows before you could continue. For some reason you would simply accept this.
4. Occasionally, executing a manoeuvre such as a left turn would cause your car to shut down and refuse to restart, in which case you would have to reinstall the engine.
5. Only one person at a time could use the car unless you bought “CarNT,” but then you would have to buy more seats.
6. Macintosh would make a car that was powered by the sun, was reliable, five times as fast and twice as easy to drive -- but it would only run on five percent of the roads.
7. The oil, water temperature and alternator warning lights would all be replaced by a single “general protection fault” warning light.
8. The airbag system would ask, “Are you sure?” before deploying.
9. Occasionally, for no reason whatsoever, your car would lock you out and refuse to let you in until you simultaneously lifted the door handle, turned the key and grabbed hold of the antenna.
10. GM would require all car buyers to also purchase a deluxe set of Rand McNally Road maps (now a GM subsidiary), even though they neither need nor want them. Attempting to delete this option would immediately cause the car’s performance to diminish by 50% or more. Moreover, GM would become a target for investigation by the Justice Department.
11. Every time GM introduced a new car, car buyers would have to learn to drive all over again because none of the controls would operate in the same manner as the old car.
12. You’d have to press the “start” button to turn the engine off.

And while this story may give you a smile, I think both GM and Microsoft are complicated and that makes both of their products unreliable.

How does it play out in a consulting firm?

Systems make a firm more complex and headcount makes it more complicated.

In my view, you should never hire people for tasks that systems and automation can handle. Also, you shouldn’t hire people for tasks that clients’ own people could do in-house. If you agree with me that you get hired for your brain, then it’s also fair to say that all the brawn-related work associated with your engagements should be provided by your clients’ people.

You may need some medication after surgery to speed up your recovery, but you wouldn’t ask your surgeon to go to the dispensary to get them and pay for them.

**On Summary**

When you look at these six deliverables, you can see they are the type of deliverables that
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boardroom dwellers highly appreciate while purchasing agents and other lower-level people ignore.

All they care about is how many hours of visible manual labour you’re going to perform. That’s why you should avoid those low-level people. Due to their tactical work, they can’t think strategically.

The other problem is compensation.

When you talk to a procurement agent who makes $75,000 per year, and your proposal talks about $150,000 as the lowest option, all the procurement agent can see is that you want to rip off her company.

If he doesn’t deserve more than $75,000, you deserve even less.

Also, procurement agents can’t think in terms of value. They think in terms of the annual budget and what percentage of that you want to steal.

The outlined factors are very valuable, but lower-level people simply can’t perceive tangible value in them.

So, who do you or your people discuss possible engagements?

With victory on high...

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http://www.di-squad.com/

Additional Knowledge Products to Build Your Consulting Firm

Consulting Retainer Engagement Toolkit.
It's All About Your Value.
Mastering the Proposal Process
Dynamic Duo Mentor Programme.